

CITY OF WOODWARD, IOWA

Independent Auditors' Reports  
Basic Financial Statements and  
Supplemental Information  
and Findings

June 30, 2012

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City of Woodward, Iowa  
Officials

Name	Title	Term Expires
Brian Devick	Mayor	January, 2016
Craig Dehoet	Council Member	January, 2014
Richard Hartwig	Council Member	January, 2014
Paul Thompson	Council Member	January, 2014
Jesse Purvis	Council Member	January, 2016
Dave Luke	Council Member	January, 2016
Christina Perkins	City Clerk/ Treasurer	Indefinite
Valerie Purvis	Deputy Clerk	Indefinite
Everett Albers	City Attorney	February, 2012
Dwayne Dalen	City Attorney	Indefinite

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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PRIVATE COMPANIES PRACTICE SECTION  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council of the City of Woodward

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodward, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City were not audited from July 1, 2008 to June 30, 2011. Accordingly, we were unable to satisfy ourselves as to the distribution of the total fund balance at July 1, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodward as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also included our report on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's Discussion and Analysis and the Budgetary Comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

March 8, 2013

*Pollard and Company P.C.*

## CITY OF WOODWARD MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Woodward provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements and the accompanying notes, which follow.

### **FINANCIAL HIGHLIGHTS - 2012**

- The City's governmental activities receipts were \$770,595. Bond proceeds of \$1,864,493 and grants of \$401,520 were included in the proprietary activities.
- The governmental activities disbursements were \$808,601. Debt service and capital projects were \$129,530 and \$56,230 respectively. The proprietary activities debt service and capital project disbursements were \$122,451 and \$2,254,527 respectively.
- The City's total cash basis net assets increased \$36,580 from June 30, 2011 to June 30, 2012. Of this amount, the governmental net assets decreased \$38,006 and the proprietary net assets increased \$74,586.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the city as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets are divided into two types of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, storm sewer and capital project. These activities are financed primarily by user charges, grants and bond proceeds.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Government funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as: Road Use Tax, Local Option Sales Tax, Emergency, and Employee Benefits ; and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Transfers In and Out are an accounting device used to accumulate receipts and allocate costs internally among the City's various funds.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds are used to report business type activities. The City maintains four funds to provide separate information for the water, sewer, and storm water operating and capital project funds considering these to be major funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's net cash balance for governmental-wide activities increased \$36,580 during the year ended June 30, 2012. The following analysis focuses on the change in cash balances.

Changes in Cash Basis Net Assets		
	Governmental	Proprietary
Program receipts:		
Charges for service	\$ 73,624	\$ 543,580
Operating grants, contributions and restricted interest	110,777	
Capital grants, contributions and restricted interest	14,210	401,520
General receipts:		
Property tax	434,184	
Other general receipts	76,592	2,822
Local option Sales taxes	61,208	
Bond proceeds		1,864,493
Total receipts	770,595	2,812,415
Disbursements:		
Water		227,131
Sewer		133,720
Public safety disbursements	129,198	
Public works disbursements	207,555	
Health and Social Services	5,899	
Culture and recreation	122,429	
Community and economic development	63,299	
General government	94,461	
Capital Projects	56,230	2,254,527
Debt service	129,530	122,451
Total Disbursements	808,601	2,737,829
(Decrease) in Cash Basis Net Assets	(38,006)	74,586
Cash basis net assets beginning of year	511,889	292,171
Cash basis net assets end of year	\$ 473,883	\$ 366,757



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The following is the major reason for the changes in fund balances of certain major funds from the prior year.

- The General Fund decreased \$18,438 after required transfers were made from other funds.

## INDIVIDUAL MAJOR PROPRIETARY FUND ANALYSIS

- The Water Fund cash balance increased \$8,919 mainly as a result of rate increases.
- The Sewer Fund cash balance increased \$39,532 mainly as a result of rate increases.
- The Storm Sewer Funds cash balance increased \$14,649 due to receipts.
- The Water Plant Capital Project Fund was completed during the year.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$2,855,263 in bonds and notes, compared to \$1,162,770 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	<u>2012</u>	<u>2011</u>
General obligation bonds/ notes	420,000	525,000
Revenue bonds	2,435,263	637,770
Total	\$2,855,263	\$1,162,770

The City's outstanding general obligation debt of \$420,000 is below its constitutional debt limit of 5% of the taxable value of the properties.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City of Woodward's elected and appointed officials considered many factors when setting the fiscal year 2012/13 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 5.2 % versus 5.9% a year ago. This compares to the State's unemployment rate of 6.5% and the national rate of 8.0%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the overall budget are \$1.6 million, an approximately \$2,262,510 decrease over the final 2012 budget due to appropriations for the new Water Plant.

Appropriations for the FY 2013 are as follows: complete construction of the Water Plant \$ 108,583 and annual loan payment of \$113,863, Police Car \$28,000, Economic Development engineer fees for Ironwood subdivision, Computer upgrade \$10,000, City Hall project \$5,000 and Sewer lining project \$125,190. Budgeted disbursements for operations are expected to remain similar to the final 2012 actual.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$83,068 by the close of 2013.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Christina Perkins, City Clerk, 105 E 2nd Street, Woodward, Iowa.

City of Woodward, Iowa  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 129,198	\$ 2,187	\$ 4,668	
Public works	207,555	64,571	97,128	
Health and Social Services	5,899	2,642		
Culture and recreation	122,429		8,981	
Community and economic development	63,299			
General government	94,461	4,224		
Capital Projects	56,230			14,210
Debt service	129,530			
Total governmental activities	808,601	73,624	110,777	14,210
Business Type Activities				
Water	315,889	323,789		
Sewer	167,413	205,439		
Storm sewer		14,352		
Capital project	2,254,527			401,520
Total business type activities	2,737,829	543,580		401,520
Total	\$ 3,546,430	\$ 617,204	\$ 110,777	\$ 415,730

General Receipts

    Property tax levied for

        General purposes

        Debt service

    Local option sales tax

    Unrestricted interest on investments

    Bond proceeds

    Miscellaneous

    Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash basis net assets

    Restricted:

        Expendable:

            Streets

            Debt service

            Other purposes

    Unrestricted

        Total cash basis net assets

Net (Disbursements) Receipts and Changes in Cash Basis  
Net Assets

Governmental Activities	Business Type Activities	Total
\$ (122,343)		\$ (122,343)
(45,856)		(45,856)
(3,257)		(3,257)
(113,448)		(113,448)
(63,299)		(63,299)
(90,237)		(90,237)
(42,020)		(42,020)
(129,530)		(129,530)
(609,990)		(609,990)
	7,900	7,900
	38,026	38,026
	14,352	14,352
	(1,853,007)	(1,853,007)
	(1,792,729)	(1,792,729)
\$ (609,990)	\$ (1,792,729)	\$ (2,402,719)

303,282		303,282
130,902		130,902
61,208		61,208
6,551	2,822	9,373
	1,864,493	1,864,493
70,041		70,041
571,984	1,867,315	2,439,299
(38,006)	74,586	36,580
511,889	292,171	804,060
\$ 473,883	\$ 366,757	\$ 840,640

\$ 31,351	\$	\$ 31,351
8,546	11,838	20,384
143,528		143,528
290,458	354,919	645,377
\$ 473,883	\$ 366,757	\$ 840,640

City of Woodward, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Emergency
Receipts				
Property Taxes	\$ 211,387	\$	\$	\$ 6,613
Other City Tax			61,208	
Licenses and Permits	2,362			
Use of Money and Property	6,551			
Intergovernmental	13,649	97,128		
Charges for Services	73,624			
Miscellaneous	58,979			
Total Receipts	366,552	97,128	61,208	6,613
Disbursements				
Operating				
Public Safety	112,119			
Public Works	80,568	99,982		
Health and Human Services	5,899			
Culture and Recreation	112,214			
Community and Economic Development	63,299			
General Government	70,541			
Capital Projects				
Debt Service				
Total Disbursements	444,640	99,982		
Excess (deficiency) of receipts over (under) disbursements	(78,088)	(2,854)	61,208	6,613
Other financing sources (uses)				
Operating transfers in	59,650			
Operating transfers out			(50,000)	(9,650)
Total other financing sources (uses)	59,650		(50,000)	(9,650)
Net change in cash balances	(18,438)	(2,854)	11,208	(3,037)
Cash balance - beginning of year	308,896	34,205	75,590	9,408
Cash balance - end of year	\$ 290,458	\$ 31,351	\$ 86,798	\$ 6,371
Cash basis fund balances				
Restricted for:				
Streets	\$	\$ 31,351	\$	\$
Debt service				
Other purposes				6,371
Committed			86,798	
Unassigned	290,458			
Total cash basis fund balances	\$ 290,458	\$ 31,351	\$ 86,798	\$ 6,371

See notes to financial statements

<u>Special Revenue</u>			
		Other Nonmajor Governmental	
Employee Benefits	Debt Service	Funds	Total
\$ 85,282	\$ 130,902		\$ 434,184
			61,208
			2,362
			6,551
		14,210	124,987
			73,624
		8,700	67,679
85,282	130,902	22,910	770,595
			129,198
			207,555
			5,899
		5,000	122,429
			63,299
			94,461
		56,230	56,230
	129,530		129,530
73,219	129,530	61,230	808,601
12,063	1,372	(38,320)	(38,006)
			59,650
			(59,650)
12,063	1,372	(38,320)	(38,006)
30,657	7,174	45,959	511,889
\$ 42,720	\$ 8,546	\$ 7,639	\$ 473,883
\$	\$	\$	\$ 31,351
	8,546		8,546
42,720		7,639	56,730
			86,798
			290,458
\$ 42,720	\$ 8,546	\$ 7,639	\$ 473,883

City of Woodward, Iowa  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2012

	Water	Sewer	Storm Sewer	Water Plant Capital Project	Total
Operating receipts					
Use of money and property	\$ 1,019	\$ 1,506	\$ 297	\$	\$ 2,822
Charges for service	323,789	205,439	14,352		543,580
Total operating receipts	324,808	206,945	14,649		546,402
Operating disbursements					
Business type activities	227,131	133,720			360,851
Excess (Deficiency) of operating receipts over operating disbursements	97,677	73,225	14,649		185,551
Non-operating receipts (disbursements)					
Intergovernmental				401,520	401,520
Bond proceeds				1,864,493	1,864,493
Debt service	(88,758)	(33,693)			(122,451)
Capital projects				(2,254,527)	(2,254,527)
Total non-operating receipts (disbursements)	(88,758)	(33,693)		11,486	(110,965)
Net change in cash balances	8,919	39,532	14,649	11,486	74,586
Cash balances( Deficit) - beginning of year	129,489	148,864	25,304	(11,486)	292,171
Cash balances - end of year	\$ 138,408	\$ 188,396	\$ 39,953	\$	\$ 366,757
Cash basis fund balances					
Restricted for debt service	\$ 9,073	\$ 2,765	\$	\$	\$ 11,838
Unrestricted	129,335	185,631	39,953		354,919
Total cash basis fund balances	\$ 138,408	\$ 188,396	\$ 39,953	\$	\$ 366,757

*See notes to financial statements.*

CITY OF WOODWARD, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

1/ Summary of Significant Accounting Policies

The City of Woodward is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Joint E-911 Service Board, and Dallas County Emergency Management Commission.

In addition, the City is a member of the Woodward Community Fire Department along with the townships of Beaver, Des Moines, Peoples and Cass to provide fire protection and emergency assistance. During the year, the City paid the Woodward Community Fire Department \$38,252.

The City also participates in a 28E agreement with the Woodward-Granger Community School District and the City of Granger to divide the school's portion of the Dallas County local option sales tax with each city receiving 15 % and the school the remaining 70%. During the year the City received \$61,208.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in three categories:



Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax is used to account for the City's sales tax receipts and the disbursements financed by such.

Emergency Fund is used to account for the City's emergency levy and the disbursements financed by such.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Plant Capital Project Fund accounts for the capital improvement disbursements and financing sources.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Sewer Fund accounts for the operation of the City's storm water disposal system.

### C. Measurement Focus and Basis of Accounting

The City of Woodward maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then other receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then less restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the General Government function.

## 2/ Cash and Pooled Investments

The City's deposits at June 30, 2012 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the City.

### 3/ Bonds and Notes Payable

The annual debt service requirement to maturity for general obligation notes and bonds, and the sewer revenue bonds is as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total Annual Debt Retirement	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	45,000	19,195	69,000	73,058	114,000	92,253
2014	50,000	17,305	72,000	70,988	122,000	88,293
2015	35,000	15,180	73,000	68,828	108,000	84,008
2016	35,000	13,675	76,000	66,638	111,000	80,313
2017	35,000	12,135	79,000	64,358	114,000	76,493
2018-2022	220,000	33,275	432,000	283,870	652,000	317,145
2023-2027			365,000	222,010	365,000	222,010
2028-2032			391,000	167,680	391,000	167,680
2033-2037			460,000	105,040	460,000	105,040
2038-2042			418,263	31,622	418,263	31,622
Totals	<u>\$ 420,000</u>	<u>\$ 110,765</u>	<u>\$ 2,435,263</u>	<u>\$ 1,154,092</u>	<u>\$ 2,855,263</u>	<u>\$ 1,264,857</u>

The City has pledged future sewer receipts, net of specified operating disbursements, to repay \$600,000 in sewer revenue bonds issued in May 2003. Proceeds were used to provide financing for the construction of improvements to the sewer plant. The obligations are payable solely from sewer customer net receipts and are payable through 2023. The total principal and interest remaining to be paid on the obligations is \$ 363,690. For the current year, principal and interest paid was \$ 33,693 and total customer net receipts were \$73,225.

The City has pledged future water receipts, net of specified operating disbursements, to repay \$2,179,000 in water revenue bonds issued in May 2011. Proceeds were used to provide financing for the construction of improvements to the water plant. The obligations are payable solely from water customer net receipts and are payable through 2041. The total principal and interest remaining to be paid on the obligations is \$ 3,226,625. For the current year, principal and interest paid was \$ 88,758 and total customer net receipts were \$97,677.

The resolutions providing for the issuance of the sewer and water revenue bonds includes the following provisions:

- The bonds will only be redeemed from the future earnings of each activity and the holders hold a lien on the future earnings of the each activity fund.
- Sufficient monthly transfers shall be made to a separate bond sinking accounts for the purpose of making the next principal and interest payments.
- The City shall establish, impose, adjust and provide for sewer and water rates to produce gross revenues at least sufficient to leave a balance, after specified operating disbursements, equal to 110% of the principal and interest due in any fiscal year.

5/ Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012 was \$23,759, equal to the required contribution for that year.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. The liability is computed based on the rate of pay as of June 30, 2012. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily relating to the General Fund, was \$11,500.

8/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Emergency Levy	General	\$ 9,650
Local Option Sales Tax	General	50,000
Total		\$59,650

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9/ Risk Management

a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.10/

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Woodward's annual contributions to the Pool for the year ended June 30, 2012 were \$16,872.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis with excess coverage reinsured by The Travelers Insurance Company..

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 % of its capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

b) The City of Woodward is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2012 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2012, the City paid worker's compensation insurance premiums of \$11,119 to the Association.

#### 11/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

City of Woodward, Iowa  
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts		
Property Taxes	\$ 434,184	\$
Other city tax	61,208	
Licenses and permits	2,362	
Use of money and property	6,551	2,822
Intergovernmental	124,987	401,520
Charges for Service	73,624	543,580
Miscellaneous	67,679	
Total Receipts	<u>770,595</u>	<u>947,922</u>
Disbursements		
Public safety	129,198	
Public works	207,555	
Health and social services	5,899	
Culture and recreation	122,429	
Community and economic development	63,299	
General government	94,461	
Capital Projects	56,230	2,254,527
Debt service	129,530	
Business type activities		483,302
Total Disbursements	<u>808,601</u>	<u>2,737,829</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(38,006)</u>	<u>(1,789,907)</u>
Other financing (uses) net		<u>1,864,493</u>
Excess (deficiency) of receipts over disbursements and other financing uses	<u>(38,006)</u>	<u>74,586</u>
Balance - beginning of year	511,889	292,171
Balance - end of year	<u>\$ 473,883</u>	<u>\$ 366,757</u>

*See accompanying independent auditors' report.*

Budgeted Amounts

	Net	Original	Final	Final to Net Variance
\$	434,184	\$ 417,217	\$ 417,217	\$ 16,967
	61,208	78,400	78,400	(17,192)
	2,362	7,385	7,820	(5,458)
	9,373	8,980	8,980	393
	526,507	2,204,997	2,186,997	(1,660,490)
	617,204	1,048,728	1,122,133	(504,929)
	67,679	58,525	110,636	(42,957)
	<u>1,718,517</u>	<u>3,824,232</u>	<u>3,932,183</u>	<u>(2,213,666)</u>
	129,198	120,420	143,016	13,818
	207,555	282,318	282,818	75,263
	5,899	6,508	6,508	609
	122,429	180,110	188,679	66,250
	63,299	102,216	82,916	19,617
	94,461	88,820	91,867	(2,594)
	2,310,757	2,500,000	2,470,000	159,243
	129,530	129,730	129,730	200
	483,302	407,950	521,009	37,707
	<u>3,546,430</u>	<u>3,818,072</u>	<u>3,916,543</u>	<u>370,113</u>
	(1,827,913)	6,160	15,640	(1,843,553)
	<u>1,864,493</u>			<u>1,864,493</u>
	36,580	6,160	15,640	20,940
	804,060	904,391	904,391	(100,331)
\$	<u>840,640</u>	<u>\$ 910,551</u>	<u>\$ 920,031</u>	<u>\$ (79,391)</u>

City of Woodward, Iowa  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2012

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$98,471. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the General Government function.



City of Woodward, Iowa  
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2012

	Parks and Recreation	REAP	Total
Receipts			
Intergovernmental	\$	\$ 14,210	\$ 14,210
Miscellaneous	8,700		8,700
Total Receipts	8,700	14,210	22,910
Disbursements			
Culture and recreation	5,000		5,000
Capital Projects		56,230	56,230
Total Disbursements	5,000	56,230	61,230
Excess (deficiency) of receipts over (under) disbursements	3,700	(42,020)	(38,320)
Cash balance - beginning of year	3,937	42,022	
Cash balance - end of year	\$ 7,637	\$ 2	\$ 7,639
Cash basis fund balances			
Restricted for Capital Projects	\$ 7,637	\$ 2	\$ 7,639
Total cash basis fund balances	\$ 7,637	\$ 2	\$ 7,639

*See accompanying independent auditors' report.*

City of Woodward, Iowa  
Schedule of Indebtedness  
For the year ended June 30, 2012

			Amount Originally Issued
	Date of Issue	Interest Rates	
Obligation			
General Obligation Notes/ Bonds			
Street Improvement Notes	September 1, 2003	3.20-4.15%	\$ 500,000
Storm Sewer Bonds 2006A	May 15, 2006	3.95-4.95%	625,000
Totals			
Revenue Bonds			
Sewer Revenue Bonds	May 19, 2003	3.00%	600,000
Water Revenue Bonds	May 6, 2011	3.00%	2,179,000
Totals			

*See accompanying independent auditors' report*

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 60,000	\$	\$ 60,000	\$	\$ 2,490
465,000		45,000	420,000	21,040
<u>\$ 525,000</u>	<u>\$</u>	<u>\$ 105,000</u>	<u>\$ 420,000</u>	<u>\$ 23,530</u>
\$ 416,000	\$	\$ 23,000	\$ 306,000	\$ 9,870
308,770	1,864,493	44,000	2,129,263	39,310
<u>\$ 637,770</u>	<u>\$ 1,864,493</u>	<u>\$ 67,000</u>	<u>\$ 2,435,263</u>	<u>\$ 49,180</u>

City of Woodward, Iowa  
Bond and Note Maturities  
For the year ended June 30, 2008

Schedule 3

Year Ending June 30,	Water Revenue Bonds		Storm Sewer Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 45,000	\$ 63,878	\$ 45,000	\$ 19,195	\$ 24,000	\$ 9,180
2014	47,000	62,528	50,000	17,305	25,000	8,460
2015	48,000	61,118	35,000	15,180	25,000	7,710
2016	50,000	59,678	35,000	13,675	26,000	6,960
2017	52,000	58,178	35,000	12,135	27,000	6,180
2018	53,000	56,618	40,000	10,560	28,000	5,370
2019	55,000	55,028	40,000	8,720	29,000	4,530
2020	57,000	53,378	45,000	6,840	29,000	3,660
2021	59,000	51,668	45,000	4,680	30,000	2,790
2022	61,000	49,898	50,000	2,478	31,000	1,890
2023	62,000	48,068			32,000	960
2024	64,000	46,208				
2025	67,000	44,288				
2026	69,000	42,278				
2027	71,000	40,208				
2028	73,000	38,078				
2029	76,000	35,888				
2030	78,000	33,608				
2031	81,000	31,268				
2032	83,000	28,838				
2033	86,000	26,348				
2034	89,000	23,768				
2035	92,000	21,098				
2036	95,000	18,338				
2037	98,000	15,488				
2038	101,000	12,548				
2039	104,000	9,518				
2040	108,000	6,398				
2041	105,263	3,158				
Totals	\$ 2,129,263	\$ 1,097,362	\$ 420,000	\$ 110,768	\$ 306,000	\$ 57,690

*See accompanying independent auditors' report.*

City of Woodward, Iowa  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Schedule 4

Grantor/ Program	<u>CFDA Number</u>	<u>Program Expenditures</u>
Pass Through Program From:		
U.S. Department of Housing and Urban Development		
Iowa Department of Economic Development		
Community Development Block Grants/ State's		
Program and Non-Entitlement Grants in Hawaii		
09WS066	14.228	\$ 401,520
 U.S. Environmental Protection Agency		
Iowa Department of Natural Resources		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>173,612</u>
		<u><u>\$ 575,132</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes federal grant activity and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*See accompanying independent auditors' report.*

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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PRIVATE COMPANIES PRACTICE SECTION  
IOWA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodward, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

The management of the City of Woodward is responsible for establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered the City of Woodward's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing and opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, we identified a deficiency in internal control over financial reporting, described in Part II of the accompanying Schedule of Findings and Questioned Costs, that we considered to be a significant deficiency and we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of significant deficiencies in internal control, such that there a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodward's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Woodward's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Woodward and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

March 8, 2013

*Pollard and Company P.C.*

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council

#### Compliance

We have audited the compliance of the City of Woodward with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The City's major federal program is in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Woodward complied, in all material respects, with the requirements referred to could have a direct and material effect on its major federal program for the year ended June 30, 2012.

#### Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.



Our consideration of the internal control over compliance was for the limited purpose described on the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, we identified a deficiency in internal control over compliance, described in Part III of the accompanying Schedule of Findings and Questioned Costs that we considered to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

The City of Woodward's responses to findings in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Woodward and other parties to whom the City may report, including and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

March 8, 2013

*Pollard and Company P.C.*

CITY OF WOODWARD, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

PART I- SUMMARY OF AUDITOR'S RESULTS

- a. Qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursement, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with the requirements applicable to the major program.
- f. The audit did not disclose any findings which are required to be reported in accordance with Circular A-133, Section .510(a).
- g. The major program was CFDA Number 14.228 Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii.
- h. The dollar threshold used to distinguish between Type A and B programs was \$ 300,000.
- i. The City did not qualify as a low-risk auditee.

PART II     Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-12     Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of disbursements and control of the general ledger are all done by the City Clerk. Posting of utility receipts, bank reconciliations and securities control and custody are all done by the Deputy Clerk.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

The City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

INSTANCES OF NON- COMPLIANCE:     No matters were noted.

PART III      Findings and Questioned Costs For Federal Awards

INSTANCES OF NON- COMPLIANCE :    No matters were noted.

INTERNAL CONTROL DEFICIENCIES

III-A-11 Segregation of Duties Over Federal Receipts and Disbursements- The City did not segregate duties including those related to federal programs. Even though the City hired an outside project administrator, the actual receipts and disbursements were processed by the City. See items II-A-12.

PART IV      Other Findings Related to Required Statutory Reporting

IV-A-12 Certified Budget

Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

The budget should have been in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion- Response accepted.

IV-B-12 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions

There were no reportable business transactions between the City and city officials or employees.

IV-E-12 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions,

IV-F-12 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the City Council proceedings were published, some were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation

The City should comply with Chapter 372 of the code of Iowa and publish meetings as required.

Response

We will publish meetings as required.

Conclusion

Response accepted.

IV-G-12 Deposits and Investments

We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.